

# ***NEWS RELEASE***

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## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA San Diego, California***

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***For Immediate Release***

### **NEWS RELEASE SUMMARY - August 22, 2006**

United States Attorney Carol C. Lam announced that Terry Brunning and Susan Brunning, husband and wife, pled guilty today to bankruptcy fraud and money laundering charges in federal court in San Diego before United States District Court Judge Napoleon A. Jones, Jr.

According to Assistant U.S. Attorneys Faith Devine and John Owens, who are prosecuting the case, the Brunnings were arrested in July 2003, in Puerto Vallarta, Mexico. The Brunnings contested extradition to the United States and, after all appeals were exhausted, were returned by the Mexican authorities in December 2005 to face charges of bankruptcy fraud and money laundering.

According to the plea agreements and court records, the Brunnings filed for bankruptcy on August 20, 2002. The Brunnings admitted that prior to filing bankruptcy, they transferred approximately \$1,000,000 to an offshore financial institution located in the Isle of Man, Great Britain. In the bankruptcy petition, the Brunnings stated that they only had between \$0 and \$50,000 in assets. However, the Brunnings had over \$1 million in domestic and offshore financial accounts (including the account in the Isle of Man), a Rolls Royce,

a Jaguar, a 57-foot sailing yacht, and a promissory note worth \$155,000. These assets initially were concealed from the Bankruptcy Court trustee. When the promissory note was discovered by the Bankruptcy Trustee, Terry Brunning created a fictitious claim against the bankruptcy estate in order to obtain all or part of the proceeds from the sale of the note by the Bankruptcy Trustee.

In March 2003, at the request of the United States government, the Isle of Man law enforcement authorities obtained an order from the Isle of Man Court preventing the transfer of the \$1,000,000 located in the offshore account in the Isle of Man. The Brunnings contested the restraint of these funds and refused to turn them over to the U.S. Bankruptcy Court trustee. After three years of litigation and all appeals were exhausted, the Isle of Man Court ordered that the funds be turned over to the U.S. Bankruptcy Trustee.

United States Attorney Lam stated, "Today's guilty pleas bring closure to over three years of litigation in criminal and civil courts located in the United States, Mexico, and Great Britain. The defendants mistakenly believed they could use foreign jurisdictions to get away with bankruptcy fraud in the United States."

"As this case aptly demonstrates, ICE agents in the United States and abroad are going to follow the money trail wherever it takes us," said Miguel Unzueta, Special Agent in Charge for the ICE Office of Investigations in San Diego. "This prosecution should serve as a warning to criminals who attempt to cover their tracks by moving their proceeds overseas. Sending your money out of the country does not mean you are out of the reach."

"IRS Criminal Investigation will actively pursue both domestic and foreign leads and continue to use our expertise anywhere in the world to uncover financial and money laundering crimes," said Kenneth Hines, Special Agent, IRS Criminal Investigation.

Steven Katzman, the United States Trustee for Region 15, which includes San Diego, recognized the outstanding efforts of the United States Attorney's Office, the Internal Revenue Service, and the Immigration and Customs Enforcement in this case. He also stated that, "Our mission is to preserve the integrity of the bankruptcy system and concealing assets and making false statements in bankruptcy cases are serious crimes.

The convictions in this case demonstrate that such conduct, as well other crimes committed in connection with a bankruptcy case, will be aggressively pursued."

Sentencing is scheduled before Judge Jones on November 13, 2006, at 8:15 a.m. in federal court in San Diego.

**DEFENDANTS**

**Case Number: 03CR1744-J**

Terry Linn Brunning

Susan Jennifer Brunning

**SUMMARY OF CHARGES**

Terry Linn Brunning

Two Counts - Bankruptcy Fraud - Title 18, United States Code, Section 152  
Maximum Penalty per count: Five years in Custody; \$250,000 Fine

One Count - Money Laundering - Title 18, United States Code, Section 1957  
Maximum Penalty per count: Ten years in Custody; \$2,000,000 Fine

Susan Jennifer Brunning

One Count - Bankruptcy Fraud - Title 18, United States Code, Section 152  
Maximum Penalty per count: Five years in Custody; \$250,000 Fine

**AGENCIES**

Internal Revenue Service - Criminal Investigation  
Immigration and Customs Enforcement, Department of Homeland Security  
United States Trustee Program